

CHAPTER 6

FIXED ASSETS0601 GENERAL

060101 Purpose. This chapter prescribes the accounting policy to establish financial control over DoD fixed assets. The applicable general ledger accounts are listed in the DoD Uniform Chart of Accounts in Chapter 7, Volume 1 of this Regulation, and their use is illustrated in this chapter.

060102 Overview

A. The policy for recording fixed asset transactions implement the general property accounting policy prescribed in Chapter 1 of this Volume.

B. Fixed asset accounts are needed to bring the acquisition cost of DoD property under financial control and to provide a reliable basis for preparing reports to the President, the Congress, and the public on the value of DoD property.

0602 ACCOUNTING POLICY

060201 The acquisition cost of fixed assets consists of the amount, net of authorized discounts, paid or payable for the assets plus the transportation, installation, and other related costs of obtaining the assets in the form and place to be put into use.

060202 The term "costs" means costs paid to acquire the property. For example, another Federal Agency or another DoD Component may incur an identifiable cost related to the acquisition process of the acquiring DoD Component. Such a discretely identifiable cost is considered by the acquiring Component as part of the acquisition cost of property. An example of a cost that shall not be recorded is interest on the public debt that is paid by the Department of the Treasury, except as described in Chapter 1, paragraph 010504.C. of this Volume, and paragraph 060204, below.

060203 The guidance in paragraph 060202, above, on costs paid by other Federal Agencies applies to assets transferred in from another Federal Agency without reimbursement. Such transfers shall be recorded using the amounts recorded in the transferring Federal Agency's accounting system. Section 0605 of this chapter illustrates the accounting treatment for recording assets transferred in from other Federal Agencies.

060204 Only interest cost on loans obtained by the Department of Defense to finance capital expenditures by the Department of Defense are capitalized. However, imputed interest cost shall be included in the selling price of the property, plant, or equipment under certain circumstances. Volume 11 of this Regulation provides guidance to be followed in establishing selling prices.

060205 Property, plant, and equipment acquired or constructed for R&D testing activities normally shall be expensed when acquired. When the assets can be used for other purposes after the original R&D work is completed, the remaining value of the assets shall be capitalized by reducing the expense accounts to reflect the remaining acquisition cost of the assets to be capitalized.

060206 Assets shall have an estimated useful life to the Department of Defense of 2 years or more. Useful life refers to the period of economic usefulness of an asset to the Department of Defense as opposed to its physical life. Determination of an asset's useful life shall be based on actual or planned retirement or replacement practices, not "standard" tables of asset lives. When item-by-item calculations of depreciation are required, the estimated useful lives shall be reviewed at their 50 percent point and adjusted as needed to correspond to a more realistic remaining useful life. Subsequent reevaluations are not required.

060207 DoD Components shall capitalize all assets developed, manufactured, transferred, or acquired when the following criteria are met:

Acquisition cost, book value, or, when applicable, the estimated fair market value equals, or exceeds, the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and procurement (investment) appropriations.

Estimated benefit period or useful life to the DoD of 2 years or more.

A. The dollar threshold for capitalizing an asset for accounting purposes is identical to, and automatically changes with, the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and procurement (investment) appropriations. This criteria applies at the time of acquisition or capitalization. The acquisition cost of an asset is capitalized, regardless of the source of funding, when the capitalization criteria prescribed in this Volume are met.

B. Assets capitalized within any DoD appropriation or account at the previous threshold, which are not fully depreciated, shall continue to be capitalized (and depreciated if applicable) at the former capitalization threshold.

060208 Depreciation accounting is a technique that allocates the cost of depreciable property, plant, or equipment as an operating expense over the period in which removal is considered feasible. Depreciation recognizes the allocation of cost of depreciable physical plant, property, or equipment as an operating expense over the periods in which the assets are expected to provide benefits.

060209 Residual value is the estimated value remaining at the end of a fixed asset's useful life to the Department of Defense. Residual value is defined as being the amount that can be expected to be recovered from the asset's disposal when it is removed from service. As such, it is the estimated scrap value, trade-in value, or market value at the end of the asset's useful life to the using activity. Residual value is considered when it exceeds 10 percent of the

capitalized amount of the fixed asset. The estimated residual value does not change, although during inflationary periods a used asset may be sold for more than its original acquisition cost. This gain from inflation is accounted for only when realized since "anticipated" gains are not recognized in generally accepted accounting practice.

060210 Depreciation and depletion are computed using the capitalized amount less residual value. This amount shall be divided equally among the accounting periods, units of issue, hours of use, or quantities of resources removed during the asset's useful life. The asset's useful life shall not exceed 40 years. Asset useful life for Business Fund activities, are prescribed in Volume 11B, of this regulation.

060211 DoD accounting systems need to establish accounts in which to record the results of any calculation of depreciation and depletion. Non-Defense Business Operations Fund activities are not required to establish a capability to compute depreciation on an item-by-item basis, unless such a capability has been determined to be cost effective by the applicable DoD Component. Non-Defense Business Operations Fund activities are authorized to use cost-finding techniques to estimate depreciation when required for billings to non-federal organizations or for presentation in financial reports. Volume 11 of this Regulation provides additional guidance on the depreciation calculation. Business Fund activities shall establish the capability to compute depreciation.

060212 Entries recording transactions in accounting system general ledger accounts and the supporting subsidiary property records must:

A. Be supported by source documents that capture all transactions affecting the Component's investment in property, including:

1. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, as of the date the Component takes custody of the property.

2. All disposals or retirements when the property leaves the custody of the Component.

B. Include sufficient information so the property records control physical quantities of DoD property, identify its location, and show unit costs. These property records shall be designed to be of maximum assistance in making procurement and utilization decisions, including those decisions related to identifying potential excess property that may be available for reuse, transfer to other DoD activities, or made available for disposal in accordance with current DoD regulations and regulatory requirements.

C. Enable periodic independent verification of the accuracy of the accounting records through periodic physical counts that provide the capability to reconcile the subsidiary property records with the general ledger accounts.

D. Identify and classify DoD property, plant, and equipment that were capitalized, recorded in the accounting system, and reported in financial statements. DoD property that does not meet the capitalization criteria in Chapter 1 of this Volume also shall be recorded in property records for control purposes. Such property includes those considered sensitive, subject to pilferage, etc.

E. Be based on the same source documents, so that the property records are integrated and subsidiary to the accounting system or can be reconciled with the accounting system.

F. Accumulate the costs of construction in progress or work in process in the related general ledger accounts for comparison with authorized amounts and postings to the applicable fixed asset or inventory accounts when the work is completed or to the appropriate expense accounts if the work is terminated.

G. Include all DoD-owned property (even if held by others) and property of others held by the Department of Defense through seizure, forfeiture, etc.

H. Provide information to identify and account for leased property (even if not capitalized).

I. Provide information to identify and account for capitalized additions and improvements.

060213 Physical Inventories. DoD fixed assets shall be subject to periodic physical inventories. Fixed assets other than real property shall be inventoried physically every 3 years following the guidance in Chapter 4 of this Volume. Real property shall be inventoried every 5 years.

A. These inventories shall be taken to ensure, among other things, that DoD fixed assets are as follows:

1. At the location identified in the property records.

2. As described in the property records.

3. In the condition described in the property records.

B. The results of the physical counts shall be reconciled to the property records, including property books. Differences shall be researched and any adjustments shall be documented fully. Adjustments include unrecorded physical changes such as removal, addition, or modification of the fixed asset that were not recorded previously.

C. Fixed assets not in use may be inventoried physically using statistical sampling as discussed in Chapter 4 of this Volume. Fixed assets in use and all real property shall be subject to a 100 percent physical inventory. The physical counts shall be scheduled so that all items are counted within the time frames established in this subsection.

D. Care must be taken to consider infloat assets; i.e., receipts, issues, and in-transit items before reaching any conclusions that property records are inaccurate.

E. Adjustments to property records and financial records shall be made only for those items where the physical counts disclose discrepancies. Such adjustments shall be supported by reports of survey prepared in accordance with Chapter 7, "Financial Liability for Government Property, Lost, Damaged, or Destroyed," of Volume 12 of this regulation. Adjustments resulting from previously unrecorded modification or alterations also shall be supported by documentation showing the costs of the changes.

F. If the results of the physical counts indicate differences, the process shall be expanded for fixed assets in use or real property. If the results of the increased count also disclose differences, the financial statements shall be qualified to disclose that amounts reported as fixed assets are inaccurate. Failure to conduct required physical inventories and reconcile material differences between physical counts and property records or between property records and the controlling financial accounts shall be disclosed as a material weakness in Section 4 of the "Federal Managers' Financial Integrity Act" statement.

G. Adjustments to the general ledger inventory accounts shall be recorded as a miscellaneous gain (Account 7193) or as a miscellaneous loss (Account 7293).

0603 ACCOUNTING FOR REAL PROPERTY

060301 The Department of Defense shall record in the financial accounts the dollar value of real property that is under DoD control, unless there is evidence that the property is recorded in the accounting system of another Federal Agency. It is important that the overall accounting records of the Federal Government are not duplicated. If doubt persists, the DoD Component shall contact the other Federal Agency to determine if the real property is recorded in its accounting system. In those situations when it has not been recorded, the DoD Component shall reach agreement with the Federal Agency as to who shall record the real property. If the DoD Component is to record the real property, it shall request the necessary source documents to

establish the location, size, original acquisition cost, cost of improvements, estimated life of the building, the date the building was constructed, etc. This allows for identification of assets to the specific DoD Component, organization, program, etc., which is benefiting from the property. Subsidiary accounts shall be established, as necessary, to provide financial information on the various classifications of real property for reporting and internal management purposes.

060302 The DoD accounting entity that controls the access to real property at Fiscal Year end shall account for it. This shall preclude duplication in accounting and financial reporting and assure that the property is under financial control.

060303 A discussion of the real property accounts is provided in the following paragraphs 060304 through 060307, below.

060304 Fixed Assets, Net (Account 1700)

A. "Fixed Assets, Net" is used to record the value of all Department of Defense assets, including real property.

B. This account is a summary account. No individual transactions are posted to this account.

060305 Land (Account 1710)

A. "Land" is used to record the acquisition cost of DoD-controlled land. When the acquisition cost cannot be determined, the estimated fair market value shall be used.

B. Land includes not only the land but also the rights to it, such as easements.

C. Land is regarded for accounting purposes as a non-wasting asset. As such, land is not subject to depreciation.

D. The acquisition cost of land includes the purchase price; broker's commission; fees for examining and recording the title and surveying; and any razing and removal costs (less salvage proceeds) of structures on the land.

E. Periodic DoD payments for land rights are accounted for as a period operating expense.

F. DoD Components shall maintain subsidiary accounts by type of natural resource, when such financial data are required to meet reporting requirements.

G. Table 6-1 illustrates the most common entries used for this account.

H. Sources of entries to this account include invoices, payment vouchers, documented estimates indicating source of estimates, sales records, and documented transfers and losses.

060306 Buildings (Account 1730)

A. "Buildings" is used to record the acquisition cost of DoD-controlled buildings. When the acquisition cost cannot be determined, the estimated fair market value of buildings and the cost of obtaining them in the form to be put into use by the Department of Defense shall be recorded. The account includes capitalizable additions, alterations, improvements, and rehabilitations.

B. Subsidiary accounts are maintained as prescribed in enclosure 1 of Department of Defense Facility Classes and Construction Categories, DoD Instruction 4165.3. Additionally, buildings are identified as government furnished property (GFP) when applicable, and DoD Components shall have the capability to report GFP buildings when required.

C. Buildings are classified according to their actual use. For example, if "Training Facilities - Other Than Buildings" are converted into "Administrative Structures - Other Than Buildings," they are reclassified as the latter upon conversion. If the conversion affects the facilities' useful lives, they must be revised accordingly for depreciation accounting purposes.

D. The following criteria must be met for an item to qualify as an asset and be reported as such in a DoD entity's financial statements:

1. The asset must embody a probable future benefit that will contribute to the entity's operations.

ACCOUNTING ENTRIES FOR ACCOUNT 1710 - LAND

1. Dr 1710 Land
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for land.

2. Dr 1710 Land
Cr 2113 Accounts Payable-Public-Current
Cr 3220 Transfers In From Others-Without Reimbursement

To record both of the following:

- (a) The estimated fair market value or the specific amount established by authoritative sources for land for which the acquisition cost is not determined.
- (b) The costs of obtaining the property in the form to be put into use, and provided from other sources without reimbursement.

TABLE 6-1

2. The entity that reports the asset must be able to obtain the benefit and control access to the benefit inherent in the asset.

3. The transaction or event giving the entity a right to and control over the benefit must have already occurred.

E. DoD activities that meet the criteria in paragraph D. above shall record the capital asset in their property and financial records; record depreciation on the asset; and record improvements to the asset.

F. DoD activities who are sole occupants/tenants of Government owned facilities or hold capital leases (as opposed to operating leases) on entire buildings and sub-let portions of that building and meet the criteria in paragraph D. above shall record the asset in their property and financial records. DoD activities that are joint occupants/tenants of Government owned facilities shall determine which occupant/tenant will record the asset in their property and financial records by applying the following criteria in descending order of application:

1. Occupant/tenant that can substantiate preponderant use (via direct labor hours, actual hours, population, square footage, metered output, etc.) of an asset in the production of goods and services for their customers.

2. Occupant/tenant that have exclusive responsibility for the maintenance, repair, upkeep, and replacement (Military Construction) of the asset.

G. Table 6-2 illustrates the most common entries used for this account.

H. Sources of entries to this account include contracts, invoices, payment vouchers, reports of completed construction projects, transfer documents, documented estimates indicating source of estimates, inventory documents, and documented gains and losses.

060307 Accumulated Depreciation on Buildings (Account 1739)

A. "Accumulated Depreciation on Buildings" is used to record the accumulated depreciation charged to expense for buildings.

B. Table 6-3 illustrates the most common entries used for this account

C. Sources for entries to this account include journal vouchers with work papers supporting depreciation calculations and transfer documents.

060308 Other Structures and Facilities (Account 1740)

A. "Other Structures and Facilities" is used to record the acquisition cost of DoD-controlled utilities and ground improvements and those facilities not classified as buildings. When the acquisition cost cannot be determined, the estimated fair market value and the costs of obtaining them in the form to be put into use by the Department of Defense shall be recorded. The account includes capitalizable additions, alterations, improvements, and rehabilitations to other structures and facilities.

B. Subsidiary accounts shall be maintained by category groups as prescribed in enclosure 1 of DoD Instruction 4165.3. Additionally, other structures and facilities are identified as Government Furnished Property (GFP) when applicable, and DoD Components shall have the capability to report such GFP assets when required.

C. The illustrative entries and the sources of these entries to this account correspond to those for the "Buildings" account in paragraph 060306, above.

060309 Accumulated Depreciation on Other and Facilities (Account 1749)

A. "Accumulated Depreciation on Other Structures and Facilities" is used to record the cumulative depreciation on such assets.

ACCOUNTING ENTRIES FOR ACCOUNT 1730 - BUILDINGS

1. Dr 1730 Buildings
 - Cr 2113 Accounts Payable-Public-Current
 - Cr 2591 Mortgages Payable-Family Housing
 - Cr 2592 Mortgages Payable-Homeowners Assistance Program

To record the acquisition cost incurred by the Department of Defense for buildings.

2. Dr 1730 Buildings
 - Cr 1721 Construction in Progress-In-House
 - Cr 1722 Construction in Progress-Contractor
 - Cr 1723 Construction in Progress-Other Government Activities

To record the value of completed buildings transferred from construction in progress accounts.

3. Dr 1730 Buildings
 - Cr 2113 Accounts Payable-Public-Current

To record the following the act of taking possession of a building constructed with Military Construction appropriation funds.

4. Dr 1730 Buildings
 - Cr 1739 Accumulated Depreciation on Buildings
 - Cr 3220 Transfers In from Others-Without Reimbursement

To record the transferor's acquisition cost of facilities received without reimbursement.

5. Dr 1739 Accumulated Depreciation on Buildings
 - Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
 - Cr 1730 Buildings
 - Cr 1710 Land

To record the value of facilities transferred without reimbursement to another Federal Agency or DoD accounting entity. This includes situations when GSA accepts accountability for disposal without a transfer of physical property to GSA.

6. Dr 1739 Accumulated Depreciation on Buildings
 - Dr 7293 Other Miscellaneous Losses
 - Cr 1730 Buildings

To record the nonreimbursable loss, damage, or destruction of a building.

TABLE 6-2

**ACCOUNTING ENTRIES FOR ACCOUNT 1739 -
ACCUMULATED DEPRECIATION ON BUILDINGS**

1. Dr 6126 Depreciation of Real Property
Cr 1739 Accumulated Depreciation on Buildings

To record depreciation expense for the current accounting period.

2. Dr 1739 Accumulated Depreciation on Buildings
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1730 Buildings

To record the value of facilities transferred without reimbursement to another Federal Agency or DoD accounting entity. This includes situations when GSA accepts accountability for disposal without a transfer of physical property to GSA.

3. Dr 1730 Buildings
Cr 1739 Accumulated Depreciation on Buildings
Cr 3220 Transfers In from Others-Without Reimbursement

To record the transferor's acquisition cost of facilities received without reimbursement.

4. Dr 1739 Accumulated Depreciation on Buildings
Dr 7293 Other Miscellaneous Losses
Cr 1730 Buildings

To record the nonreimbursable loss, damage, or destruction of a building.

TABLE 6-3

B. The illustrative entries and the sources of these entries correspond to those for the "Accumulated Depreciation on Buildings" account, paragraph 060307, above.

**0604 ACCOUNTING FOR CONSTRUCTION
IN PROGRESS**

060401 The "Construction in Progress" accounts are used to accumulate costs of DoD real property construction projects. Included in this category is the equipment that is installed as an integral part of the real property and that normally could not be removed without dismantling the property. Examples of such equipment include heating and air conditioning systems, overhead cranes, elevators, etc. These costs, which are accumulated regardless of the

source of funding, include direct labor, direct material, and overhead. All of these costs, including those financed as "minor construction," are recorded in "Construction in Progress" accounts as long as the construction project is expected to meet the capitalization criteria prescribed in Chapter 1 of this Volume. The recording of costs in "Construction in Progress" accounts brings the costs under financial control and segregates them from expenses.

060402 Construction overhead includes any cost of construction in progress that benefits more than a single construction project. Overhead may include costs for supervision and other indirect labor, supplies and materials, transportation, depreciation, insurance, etc. Construction overhead must be collected in cost

pools and allocated to specific construction projects in proportion to the benefits received. Chapter 22 of this Volume contains the accounting standards for determining overhead construction costs.

060403 There are four "Construction in Progress" subsidiary accounts to control applicable work and property that receive special attention. "Construction in Progress-In-House," "Construction in Progress-Contractor," and "Construction in Progress-Other Government Activities" identify who is performing the construction. "Construction in Progress-Government-Furnished Material" identifies that portion of Government property (as defined in paragraph 060410, below) furnished to contractors and subcontractors for the performance of DoD construction contracts.

060404 "Construction in Progress" is accounted for by the U.S. Army Corps of Engineers (ACE) or the Naval Facilities Engineering Command (NAVFACENGCOM), as applicable, when they are responsible for the construction. The DoD accounting entity that is to receive the constructed property does not account for the construction costs, that can only be obtained from ACE or NAVFACENGCOM, until it accepts accountability for a completed asset.

060405 When construction projects are terminated before completion, the circumstances must be examined carefully to determine suitable

write-offs and other applicable accounting adjustments.

060406 Construction in Progress (Account 1720)

A. "Construction in Progress" is used to record the costs of direct labor, direct material, and overhead incurred in the construction of property and plant. On completion, these costs shall be transferred to the proper capital asset account as the acquisition cost of the item.

B. This account is a summary account used for financial control and reporting purposes. No entries are posted to this account.

060407 Construction in Progress-In-House (Account 1721)

A. "Construction in Progress-In-House" is used to record the cost of construction performed by DoD personnel.

B. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property or expense account.

C. Table 6-4 illustrates the most common entries used for this account.

D. Sources of entries to this account include billings under contracts for materials, supplies, and equipment; documented assignments of costs accumulated in cost pools; issue and transfer documents; receiving and shipping reports; invoices; payment vouchers; payroll records; reports of completed construction projects; and documented losses.

060408 Construction in Progress-Contractor (Account 1722)

A. "Construction in Progress-Contractor" is used to record the value of work performed by contractors other than other Government Agencies in accordance with the terms of the applicable construction contracts. Progress payments for such work are discussed in Sub-part 32.5 of the Federal Acquisition Regulation. Other types of payments such as cost reimbursements also are included in this account.

B. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property or expense account.

C. Table 6-5 illustrates the most common entries used for this account.

D. Sources of entries to this account include contracts, contractor requests for progress payments, invoices, payment vouchers, construction acceptance documents, accounting records, and reports of survey.

**ACCOUNTING ENTRIES FOR ACCOUNT 1721 -
CONSTRUCTION IN PROGRESS-IN-HOUSE**

1. Dr 1721 Construction in Progress-In-House
Cr 1521 Inventory Held for Sale
Cr 1766 Equipment Not in Use
Cr 6000 Expense accounts series

To record the costs incurred by the Department of Defense for construction in process.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1721 Construction in Progress-In-House

To record the value of DoD in-house construction projects completed.

3. Dr 7293 Other Miscellaneous Losses
Cr 1721 Construction in Progress-In-House

To record the nonreimbursable loss, damage, or destruction of "Construction in Progress-In-House."

TABLE 6-4

**ACCOUNTING ENTRIES FOR ACCOUNT 1722 -
CONSTRUCTION IN PROGRESS-CONTRACTOR**

1. Dr 1722 Construction in Progress-Contractor
Cr 2113 Accounts Payable-Public-Current

To record the allowable costs of construction in progress reported by contractors other than Federal Government Agencies.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1722 Construction in Progress-Contractor

To transfer completed projects to the applicable real property accounts.

3. Dr 7293 Other Miscellaneous Losses
Cr 1722 Construction in Progress-Contractor

To record the loss of applicable construction in progress due to the nonreimbursable loss, damage, or destruction of related construction projects.

TABLE 6-5

060409 Construction in Progress-Other Government Activities (Account 1723)

A. "Construction in Progress - Other Government Activities" is used to record the value of work performed by other Federal Agencies for the construction of facilities, utilities, and ground improvements not yet accepted by the Department of Defense.

B. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property or expense account.

C. Table 6-6 illustrates the most common entries used for this account.

D. Sources of entries to the "Construction in Progress - Other Government Activities" account include invoices, payment vouchers, construction acceptance documents, and reports of survey.

060410 Construction in Progress-Government-Furnished Material (Account 1724)

A. "Construction in Progress-Government-Furnished material" is the account for recording the value of that portion of Government property furnished to contractors and subcontractors (including other Federal Agencies) for the performance of DoD construction contracts. "Government property" in this case includes all personal property acquired directly by the Department of Defense as defined in Chapter 1 of this Volume and made available for incorporation into construction end products to be delivered under DoD construction contracts or to be consumed or expended in the performance of those construction contracts.

B. Subsidiary accounts shall be maintained for each contractor and contract that is furnished Government property.

C. Table 6-7 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1723 -
CONSTRUCTION IN PROGRESS-OTHER GOVERNMENT ACTIVITIES**

1. Dr 1723 Construction in Progress-Other Government Activities
Cr 2111 Accounts Payable-Government-Current

To record the allowable costs paid for construction being performed by another Federal Agency.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1723 Construction in Progress-Other Government Activities

To transfer completed projects to the applicable real property accounts.

3. Dr 7293 Other Miscellaneous Losses
Cr 1723 Construction in Progress-Other Government Activities

To record the loss of construction in progress due to the nonreimbursable loss, damage, or destruction of related projects constructed by a federal agency other than the Department of Defense.

TABLE 6-6

D. Sources of entries to this account include shipping and issue documents, construction acceptance documents and property administrator reports, material-return documents, collection and deposit documents, settlement agreements, and documented losses.

060411 Construction in Progress - Capital - Defense Business Operations Fund (Account 1725). This account is used to accumulate the cost of all capital assets developed or manufactured for the use by the performing business area activity. (See Volume 6, Chapter 6 for additional information on the Defense Business Operations Fund.

0605 ACCOUNTING FOR EQUIPMENT

060501 Equipment consists of all personal property owned by the Department of Defense that is not an integral part of real property (see Section 0603 of this chapter) that is as follows:

A. Meets the capitalization criteria prescribed in Chapter 1 of this Volume.

060502 All personal property owned by the Department of Defense shall be classified as military equipment. This includes weapons systems and all equipment necessary to support the DoD mission.

060503 Personal property being constructed for the Department of Defense shall be brought under accounting control using the work in process accounts described in Chapter 4 of this Volume.

060504 The following subsections provide accounting guidance for equipment owned by the Department of Defense.

060505 Equipment (Account 1750)

A. "Equipment" is used to record the value of nonmilitary personal property of a durable nature.

B. DoD Components are not authorized to use this account. All DoD personal property shall be recorded in the applicable accounts for military equipment.

060506 Accumulated Depreciation on Equipment (Account 1759)

A. "Accumulated Depreciation on Equipment" is used to record the accumulated depreciation of nonmilitary personal property of a durable nature.

B. DoD Components are not authorized to use this account. All DoD personal property, including depreciation, shall be recorded in the applicable accounts for military equipment.

060507 Military Equipment (Account 1760)

A. "Military Equipment" is used to record the capitalized value of DoD military equipment that has been issued for use. It does not include combat-type equipment in inventory, layaway, or not in use. The account also includes the cost of capitalizable upgrades, rehabilitation, and modifications.

B. This account is a summary account used for financial control and reporting purposes. No entries are posted to this account.

060508 Equipment in Use (Account 1762)

A. "Equipment in Use" is used to record the acquisition cost of military equipment in use by the Department of Defense. When the acquisition cost cannot be determined, the estimated fair market value of such equipment and the costs of obtaining the equipment in the form and place to be put into use are recorded. "Equipment in Use" is exclusive of the following:

1. "Equipment on Loan."
2. "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others."
3. Equipment being incorporated into work in process or construction in progress.

The account also includes the cost of capitalizable additions, alterations, improvements, and rehabilitations of equipment in use.

**ACCOUNTING ENTRIES FOR ACCOUNT 1724 -
CONSTRUCTION IN PROGRESS-GOVERNMENT-FURNISHED MATERIAL**

1. Dr 1724 Construction in Progress-Government-Furnished Material
Cr 1521 Inventory Held for Sale
Cr 1766 Equipment Not in Use

To record the value of Government property furnished to contractors for the performance of DoD construction contracts.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1724 Construction in Progress-Government-Furnished Material

To record the value of Government property that is as follows:

- (a) Incorporated into or attached to a construction end product accepted by the Department of Defense.
- (b) Consumed or expended in the performance of DoD construction contracts.

3. Dr 1521 Inventory Held for Sale
Dr 1766 Equipment Not in Use
Cr 1724 Construction in Progress-Government-Furnished Material

To record the value of Government property returned by contractors.

4. Dr 1320 Accounts Receivable-Claims Receivable-Public
Cr 1724 Construction in Progress-Government-Furnished Material

To record a claim against a contractor for the value of the loss, damage, or destruction of Government property furnished in connection with DoD construction contracts.

5. Dr 7293 Other Miscellaneous Losses
Cr 1724 Construction in Progress-Government-Furnished Material

To record the nonrecoverable value of the loss, damage, or destruction of Government property furnished in connection with DoD construction contracts.

TABLE 6-7

B. Equipment is capitalized based upon the actual amount paid or payable for the equipment even when multi-year contracts are involved.

C. Capitalize computer software (programs, routines and subroutines) that is as follows:

1. Is integrated into hardware.
2. Loses its identity as software and is depreciated, when required, as hardware. Additional guidance for accounting for computer software can be found in GAO's Federal Government Accounting Pamphlet Number 4.

3. Meets the capitalization criteria prescribed in Chapter 1 of this Volume.

4. Additional guidance for capitalizing computer software can be found in Chapter 7 of this Volume, paragraph 070312.

D. Table 6-8 illustrates the most common entries used for this account.

E. Sources of entries to this account include contracts, invoices, receiving reports, payment vouchers, issue and shipping documents, transfer documents, documented estimates indicating source of estimates, inventory documents, and documented gains and losses.

060509 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others (Account 1763)

A. "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" is used to record the capitalized value of DoD equipment furnished to contractors (including other Federal Agencies), testing agencies, defense industrial facilities, and others for the primary benefit of the Department of Defense or the DoD Component that furnishes the equipment. The equipment to be recorded in this account is usually returned after use or testing rather than incorporated into an end product, consumed, or expended. This account does not include the following:

ACCOUNTING ENTRIES FOR ACCOUNT 1762 - EQUIPMENT IN USE

1. Dr 1762 Equipment in Use
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for military equipment.

2. Dr 1762 Equipment in Use
Cr 1582 Work in Process-Contractor

To record the capitalized value of completed equipment transferred from work in process accounts to equipment in use.

3. Dr 1762 Equipment in Use
Cr 1766 Equipment Not in Use
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others
Cr 1764 Equipment on Loan

To record the transfer of equipment to "Equipment in Use."

4. Dr 1762 Equipment in Use
Cr 7193 Other Miscellaneous Gains

To record an increase in equipment in use that is discovered by physical inventory. The estimated fair market value of the discovered equipment shall be used when acquisition cost cannot be determined.

TABLE 6-8

ACCOUNTING ENTRIES FOR ACCOUNT 1762 - EQUIPMENT IN USE (CONT.)

5. Dr 1762 Equipment in Use
 Cr 2113 Accounts Payable-Public-Current
 Cr 3220 Transfers In from Others- Without Reimbursement
 Cr 1769 Accumulated Depreciation on Military Equipment

To record the following:

- (a) The estimated fair market value or the acquisition cost plus any accumulated depreciation recorded in the transferor's accounts for equipment in use received without reimbursement by the Department of Defense from a non-DoD Federal Agency.
- (b) The costs of obtaining the property in the form and place to be put into use.

6. Dr 1762 Equipment in Use
 Cr 3220 Transfers In from Others-Without Reimbursement
 Cr 1769 Accumulated Depreciation on Military Equipment

To record the transferor's value of military equipment in use that is received without reimbursement from another DoD Component.

7. Dr 1762 Equipment in Use
 Cr 2992 Liability for Property Furnished by Others

To record the estimated fair market value of property loaned to the Department of Defense by others with the agreement that it will be returned.

8. Dr 1766 Equipment Not in Use
 Cr 1762 Equipment in Use

To record the value of "Equipment in Use" that is transferred to "Equipment Not in Use." This includes "Equipment in Use" transferred to a depot maintenance facility.

9. Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
 Cr 1762 Equipment in Use

To record the value of equipment in use that is transferred without reimbursement by the following:

- (a) The Department of Defense to another federal agency.
- (b) One DoD accounting entity to another. This includes situations when DLA accepts accountability for disposal without a transfer of physical property to DLA.

TABLE 6-8 (CONT.)

ACCOUNTING ENTRIES FOR ACCOUNT 1762 - EQUIPMENT IN USE (CONT.)

10. Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 7293 Other Miscellaneous Fund Losses
 Cr 1762 Equipment in Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of equipment in use.
 (b) By physical inventory.

11. Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 1765 Property Awaiting Disposal
 Cr 1762 Equipment in Use

To record the value of equipment in use transferred to disposal.

- Dr 1762 Depreciation of Equipment
 Dr 2992 Liability for Property Furnished by Others
 Cr 1762 Equipment in Use
 Cr 1769 Accumulated Depreciation on Military Equipment

To record the return of property loaned to the Department of Defense by others.

TABLE 6-8 (CONT.)

1. Equipment transferred to a depot maintenance facility for repairs.

2. Government equipment that is furnished to be consumed or expended in the performance of a contract or for incorporation into an end product. The former are recorded as "Equipment Not in Use;" the latter are recorded as either "Construction in Progress - Government-Furnished Material" or "Work in Process - Government-Furnished Material."

B. Those who receive this equipment have custodial responsibility, but they have no property accounting responsibility.

C. Government-provided property, as discussed in Chapter 1 of this Volume includes both contractor-acquired and Government-furnished property. This account shall not include contractor-acquired property;

however, the account shall include Government-furnished special tooling, special test equipment, military property, and the plant equipment portion of facilities that is expected to be returned. Contractor-acquired property is accounted for in the "Work in Process-Contractor" and "Construction in Progress-Contractor" accounts.

D. The DoD accounting entity that controls the benefit from the use of the equipment shall account for the equipment. Depreciation, when applicable, is charged to the benefiting accounting entity(ies). Defense General Supply Center (DGSC) property is furnished to contractors. DGSC ensures that the controlling accounting entity receives the required information on the equipment to make the necessary accounting entries.

E. Table 6-9 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1763 - EQUIPMENT WITH CONTRACTORS,
TESTING AGENCIES, DEFENSE INDUSTRIAL FACILITIES, AND OTHERS**

1. Dr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others
Cr 1766 Equipment Not in Use

To record the capitalized value of equipment that is transferred to contractors.

2. Dr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost of equipment incurred by the Department of Defense for which the cost is recorded initially in the "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" account.

3. Dr 1766 Equipment Not in Use
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others

To record the value of "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" that is transferred to "Equipment Not in Use."

4. Dr 1762 Equipment in Use
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others

To record the value of "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" that is transferred to "Equipment in Use."

5. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others

To record the nonreimbursable loss, damage, or destruction of "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others."

TABLE 6-9

F. Sources of entries to this account include invoices, receiving reports, payment vouchers, transfer documents, and reports of survey.

060510 Equipment on Loan (Account 1764)

A. "Equipment on Loan" is used to record the capitalized value of DoD equipment that is loaned for the primary benefit of the borrower. Normally, the account does not include bailments because they are of such short duration that they would be washed during the same accounting period.

B. Those who borrow the equipment have custodial responsibility, but they have no property accounting responsibility.

C. Table 6-10 illustrates the most common used entries for this account.

D. Sources for entries to this account include loan and lease agreements; documented receipts, issues, shipments, losses, and claims; and reports of survey.

060511 Equipment Not in Use (Account 1766)

A. "Equipment Not in Use" is used to record the acquisition cost or, when applicable, estimated fair market value of capitalizable equipment held for future use, sale, or transfer. The account includes the cost of capitalizable additions, alterations, improvements, and rehabilitations to equipment not in use.

B. Equipment not in use includes the following:

1. Inventory.

2. Capitalizable equipment that is not in the supply system. Examples of the latter include the following:

a. Equipment removed from use for depot maintenance.

b. Equipment that is no longer in use because the item manager has directed that it be placed in layaway. Subsidiary

accounts shall be established as necessary to identify the cost of equipment in these categories.

C. "Equipment Not in Use" does not include equipment in use that is merely "down for maintenance" or "awaiting parts."

D. Table 6-11 illustrates the most common entries used for this account.

E. Sources of entries to this account include invoices, receiving reports, payment vouchers, sales records, issue and shipping documents, transfer documents, documented estimates indicating source of estimates, inventory documents, and documented gains and losses.

060512 Accumulated Depreciation on Military Equipment (Account 1769)

A. "Accumulated Depreciation on Military Equipment" is used to record the cumulative depreciation on military equipment.

B. Subsidiary accounts for "Accumulated Depreciation on Equipment" shall be maintained to correspond with the subsidiary accounts maintained for the military equipment accounts when such information is required for management and reporting purposes.

C. The standards for computing and recording depreciation are provided in Chapter 1 of this Volume.

D. Table 6-12 illustrates the most common entries used for this account.

E. Sources of entries to this account include official depreciation schedules; documented physical inventories, issues, shipments, transfers, and losses; and reports of survey.

060513 Equipment in Transit (Account 1770)

A. "Equipment in Transit" is used to record the acquisition cost of equipment in transit that has not been received.

ACCOUNTING ENTRIES FOR ACCOUNT 1764 - EQUIPMENT ON LOAN

1. Dr 1764 Equipment on Loan
Cr 1766 Equipment Not in Use
Cr 1762 Equipment in Use

To record the capitalized value of loaned "Equipment Not in Use" and "Equipment in Use" that is transferred to "Equipment on Loan."

2. Dr 1766 Equipment Not in Use
Dr 1762 Equipment in Use
Cr 1764 Equipment on Loan

To record the value of returned "Equipment on Loan" that is transferred to "Equipment Not in Use" or "Equipment in Use."

3. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 1320 Claims Receivable-Public
Cr 1764 Equipment on Loan

To record the loss, damage, or destruction of equipment on loan for which a legal right for a claim exists.

4. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1764 Equipment on Loan

To record the loss, damage, or destruction of equipment on loan for which a legal right for a claim does not exist.

TABLE 6-10

B. The acquisition cost of equipment in transit shall be reversed only when the equipment is received.

C. A transferor is accountable for equipment until the transferee accepts accountability. Subsidiary accounts shall be established as necessary to ensure visibility of items in transit.

D. Table 6-13 illustrates the most common entries used for this account.

E. Sources for entries to this account include accounting records and documented estimates indicating source of estimates.

060514 Other Natural Resources (Account 1840)

A. "Other Natural Resources" is used to record the cost or appraised value of natural resources other than land.

B. Natural resources include resources such as oil, minerals, and timber. Minerals are not renewable, but timber is replenishable. When timber is replenished through planting and cultivation the costs are capitalized when the capitalization criteria prescribed in Chapter 1 of this Volume are met.

C. Table 6-14 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 1766 - EQUIPMENT NOT IN USE

1. Dr 1766 Equipment Not in Use
 Cr 2111 Accounts Payable-Government-Current
 Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for equipment not in use for which the cost is recorded initially in the "Equipment Not in Use" account. This includes the cost of capitalizable depot maintenance.

2. Dr 1766 Equipment Not in Use
 Cr 1581 Work in Process-In-House
 Cr 1582 Work in Process-Contractor

To record the acquisition cost of equipment transferred from work in process" accounts to "Equipment Not in Use."

3. Dr 1766 Equipment Not in Use
 Cr 1762 Equipment in Use
 Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others
 Cr 1764 Equipment on Loan

To record the acquisition cost of equipment transferred to "Equipment Not in Use." This includes equipment transferred to a depot maintenance facility for repair.

4. Dr 1766 Equipment Not in Use
 Cr 7193 Other Miscellaneous Gains

To record an increase in equipment not in use that is discovered by physical inventory. The estimated fair market value of the discovered equipment is used when acquisition cost cannot be determined.

5. Dr 1766 Equipment Not in Use
 Cr 1769 Accumulated Depreciation on Military Equipment
 Cr 3220 Transfers In from Others Without Reimbursement

To record the estimated fair market value or the specific amount established by authoritative sources for equipment not in use that is received without reimbursement by the Department of Defense from another Federal Agency. Equipment not in use that is transferred from one DoD accounting entity to another shall be recorded at the transferor's acquisition cost plus any accumulated depreciation.

TABLE 6-11

ACCOUNTING ENTRIES FOR ACCOUNT 1766 - EQUIPMENT NOT IN USE (CONT.)

6. Dr 1581 Work in Process-In-House
Cr 1766 Equipment Not in Use

To record the acquisition cost of equipment not in use that is issued for work in process or construction in progress.

7. Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Dr 1769 Accumulated Depreciation on Military Equipment
Cr 1766 Equipment Not in Use

To record the transfer without reimbursement by the Department of Defense to another Federal Agency or DoD accounting entity. This includes situations when the DLA accepts accountability for disposal without a transfer of physical property to DLA.

8. Dr 3232 Transfers Out to see Others-Without Reimbursement
Dr 1769 Accumulated Depreciation on Military Equipment
Cr 1766 Equipment Not in Use

To record the value of equipment not in use that is transferred without reimbursement by the Department of Defense to other than a Federal Agency.

9. Dr 7293 Other Miscellaneous Losses
Dr 1769 Accumulated Depreciation on Military Equipment
Cr 1766 Equipment Not in Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of equipment not in use.
- (b) A decrease in equipment not in use that is discovered by physical inventory.

TABLE 6-11 (CONT.)

**ACCOUNTING ENTRIES FOR ACCOUNT 1769 -
ACCUMULATED DEPRECIATION ON MILITARY EQUIPMENT**

1. Dr 6125 Depreciation of Equipment
Cr 1769 Accumulated Depreciation on Military Equipment

To record depreciation expense for equipment.

2. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1762 Equipment in Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of equipment.
- (b) A decrease in equipment discovered by physical inventory.

3. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1766 Equipment Not in Use

To record the value of equipment that is transferred without reimbursement by one of the following:

- (a) The Department of Defense to another Federal Government Agency.
- (b) One DoD accounting entity to another. This includes situations when DLA accepts accountability for disposal without a transfer of physical property to DLA.

4. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 1320 Claims Receivable-Public
Cr 1764 Equipment on Loan

To record the loss, damage, or destruction of equipment on loan for which a legal right for a claim exists.

5. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1764 Equipment on Loan

To record the loss, damage or destruction of equipment on loan for which a legal right for a claim does not exist.

TABLE 6-12

ACCOUNTING ENTRIES FOR ACCOUNT 1770 - EQUIPMENT IN TRANSIT

1. Dr 1770 Equipment in Transit
 Cr 2111 Accounts Payable-Government-Current
 Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost of equipment in transit.

2. Dr 1766 Equipment Not in Use
 Cr 1770 Equipment in Transit

To record receipt of equipment in transit.

TABLE 6-13

D. Sources for entries to this account include sales contracts, real estate deeds, reports of survey and journal vouchers supporting estimates of depletion allowances.

060515 Allowance for Depletion
(Account 1849)

A. "Allowance for Depletion" is the account for recording the cumulative depletion of depletable assets.

B. Subsidiary accounts for "Allowance for Depletion" shall be maintained for natural resources.

C. Table 6-15 illustrates the most common entries used for this account.

D. Sources for entries to this account include sales contracts, real estate deeds, reports of survey, and journal vouchers supporting estimates of depletion allowances.

ACCOUNTING ENTRIES FOR ACCOUNT 1840 - OTHER NATURAL RESOURCES

1. Dr 1840 Other Natural Resources
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for natural resources.

2. Dr 1840 Other Natural Resources
Cr 2111 Accounts Payable-Government-Current
Cr 3220 Transfers In from Others-Without Reimbursement

To record the following:

- (a) The estimated fair market value or the amount established by authoritative sources for land and other natural resources when the acquisition cost cannot be determined.
- (b) The costs of obtaining the property in the form to be put into use and received from others without reimbursement.

3. Dr 1849 Allowance for Depletion
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1840 Other Natural Resources

To record the value of land and natural resources transferred to another Federal Agency.

4. Dr 1849 Allowance for Depletion
Dr 7293 Other Miscellaneous Losses
Cr 1840 Other Natural Resources

To record the nonreimbursable loss, damage, or destruction of natural resources.

5. Dr 1849 Allowance for Depletion
Dr 3620 Funds Returned to General Fund-Miscellaneous Receipts
Cr 1840 Other Natural Resources

To record the value of natural resources sold when the collection is returned to a miscellaneous receipts account.

TABLE 6-14

ACCOUNTING ENTRIES FOR ACCOUNT 1849 - ALLOWANCE FOR DEPLETION

1. Dr 6127 Depletion of Natural Resources
Cr 1849 Allowance for Depletion

To record depletion expense.

2. Dr 1849 Allowance for Depletion
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1840 Other Natural Resources

To record the value of natural resources transferred without reimbursement to another Federal Agency or DoD accounting entity. This includes situations when GSA accepts accountability for disposal without a transfer of physical property to GSA.

3. Dr 1849 Allowance for Depletion
Dr 3620 Funds Returned to General Fund-Miscellaneous Receipts
Cr 1840 Other Natural Resources

To record the value of natural resources sold when the collection is returned to a miscellaneous receipts account.

4. Dr 1849 Allowance for Depletion
Dr 7293 Other Miscellaneous Losses
Cr 1840 Other Natural Resources

To record the nonreimbursable loss, damage, or destruction of natural resources

TABLE 6-15

ACCOUNT NO. 1700	
FIXED ASSETS, NET	
DESCRIPTION: The current book value of real and personal property in accordance with DoD capitalization criteria.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post individual transactions to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-1	

ACCOUNT NO. 1710	
LAND	
DESCRIPTION: The cost or appraised value of land owned by DoD.	
DEBIT	CREDIT
1. Acquisition of land. Contra: 2113 and 3220	1. Disposal of real property. Contra: 3231
NORMAL BALANCE: DEBIT	
FIGURE 6-2	

ACCOUNT NO. 1720	
CONSTRUCTION IN PROGRESS	
DESCRIPTION: The value of construction in progress on DoD real property facilities.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post individual transactions to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-3	

ACCOUNT NO. 1721	
CONSTRUCTION IN PROGRESS - IN-HOUSE	
DESCRIPTION: Represents the accumulated costs of real property construction in progress performed by DoD personnel.	
DEBIT	CREDIT
1. Costs incurred. Contra: 1760, and 6000 (expense accounts) 2. Costs incurred. Contra: 1750 (use of this account must be approved by the Office of the Deputy Under Secretary of Defense (Comptroller/FinancialManagement)/ Deputy Chief Financial Officer)	1. Transfer completed buildings to the fixed asset accounts. Contra: 1730 and 1740 2. Nonreimbursable losses. Contra: 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-4	

ACCOUNT NO.1722	
CONSTRUCTION IN PROGRESS - CONTRACTOR	
DESCRIPTION: Represents value of progress payments to contractors.	
DEBIT	CREDIT
1. Record progress payments. Contra: 2113	1. Transfer completed projects to fixed asset accounts. Contra: 1730 and 1740
NORMAL BALANCE: DEBIT	
FIGURE 6-5	

ACCOUNT NO.1723	
CONSTRUCTION IN PROGRESS - OTHER GOVERNMENT ACTIVITIES	
DESCRIPTION: Represents the value of construction undertaken for the Department of Defense by other government agencies.	
DEBIT	CREDIT
1. Record progress payments. Contra: 2111	1. Transfer completed projects to fixed asset accounts. Contra: 1730 and 1740 2. Nonreimbursable losses. Contra: 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-6	

ACCOUNT NO.1724	
CONSTRUCTION IN PROGRESS - GOVERNMENT FURNISHED MATERIAL	
DESCRIPTION: Represents the value of government furnished material provided contractors for inclusions in DoD construction projects.	
DEBIT	CREDIT
1. Value of property furnished to contractors. Contra: 1521 and 1766	1. Value of property incorporated into completed projects. Contra: 1730 and 1740 2. Value of property returned by contractors. Contra: 1521 and 1766 3. Claim for loss by contractor. Contra: 1320 4. Nonrecoverable losses. Contra: 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-7	

ACCOUNT NO. 1730	
BUILDINGS	
DESCRIPTION: Represents the acquisition costs of DoD-owned buildings.	
DEBIT	CREDIT
1. Acquisition/Transfer In of buildings. Contra: 2113, 2591, 2592, 3220, and 1739 2. Transfer completed buildings from construction in progress. Contra: 1721, 1722, and 1723	1. Disposal of building. Contra: 1739 and 3231 2. Destruction of building. Contra: 1739 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-8	

ACCOUNT NO. 1739	
ACCUMULATED DEPRECIATION ON BUILDINGS	
DESCRIPTION: Represents accumulated depreciation on buildings.	
DEBIT	CREDIT
1. Disposal of building. Contra: 1730 and 3231 2. Destruction of building. Contra: 1730	1. Depreciation expense. Contra: 6126 2. Transfer in of building from outside sources. Contra: 1730
NORMAL BALANCE: CREDIT	
FIGURE 6-9	

ACCOUNT NO. 1740	
OTHER STRUCTURES AND FACILITIES	
DESCRIPTION: The acquisition cost of DoD-owned structure and facilities other than building, utilities and ground improvements. Includes runways, bridges, port facilities and railroad tracks, etc.	
DEBIT	CREDIT
1. Acquisition of structures and facilities. Contra: 1749, 2113, 2591, 2592, and 3220 2. Transfers in from construction in progress. Contra: 1721, 1722, and 1723	1. Disposal of structures and facilities. Contra: 1749 and 3231 2. Destruction of structures and facilities. Contra: 1749 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-10	

ACCOUNT NO. 1749	
ACCUMULATED DEPRECIATION ON OTHER STRUCTURES AND FACILITIES	
DESCRIPTION: Accumulated depreciation charged to expense for structures and facilities.	
DEBIT	CREDIT
1. Disposal of structures and facilities. Contra: 1740 and 3231 2. Destruction of structures and facilities. Contra: 1740	1. Depreciation expense. Contra: 6126 2. Transfer in of structures and facilities. Contra: 1740
NORMAL BALANCE: CREDIT	
FIGURE 6-11	

ACCOUNT NO. 1750	
EQUIPMENT	
DESCRIPTION: Tangible items of a durable nature used in Department of Defense operations.	
DEBIT	CREDIT
<p>Use of this account must be approved by the</p> <p>Office of the Deputy Under Secretary of Defense</p> <p>(Comptroller/Financial Management)/</p> <p>Deputy Chief Financial Officer</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-12	

ACCOUNT NO. 1759	
ACCUMULATED DEPRECIATION ON EQUIPMENT	
DESCRIPTION: Accumulated depreciation charged to expense for equipment.	
DEBIT	CREDIT
<p>Use of this account must be approved by the</p> <p>Office of the Deputy Under Secretary of Defense</p> <p>(Comptroller/Financial Management)/</p> <p>Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 6-13	

ACCOUNT NO. 1760	
MILITARY EQUIPMENT	
DESCRIPTION: All categories of DoD equipment including ships, aircraft and other military hardware (all Department of Defense personal property). Subsidiary accounts shall be established by major weapons classifications and to meet reporting requirements.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post individual transactions to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-14	

ACCOUNT NO. 1762	
EQUIPMENT IN USE	
DESCRIPTION: Represents the acquisition cost of DoD equipment placed in use.	
DEBIT	CREDIT
1. Equipment acquired and placed into use. Contra: 2113 2. Completed projects placed into use. Contra: 1582 3. Equipment placed into use from other categories. Contra: 1763, 1764, 1766, 1769, 2992, and 3220 4. Equipment loaned to the Department of Defense. Contra: 2992	1. Transfers to other organizations. Contra: 1765, 1769, and 3231 2. Loss of equipment. Contra: 1769 and 7193 3. Return of equipment loaned to the Department of Defense. Contra: 1762 and 2992
NORMAL BALANCE: DEBIT	
FIGURE 6-15	

ACCOUNT NO. 1763	
EQUIPMENT WITH CONTRACTORS, TESTING AGENCIES, DEFENSE INDUSTRIAL FACILITIES, AND OTHERS	
DESCRIPTION: The value of DoD equipment furnished to contractors (including other federal agencies, testing agencies, defense industrial facilities and others) for use in providing services or items to the Department of Defense.	
DEBIT	CREDIT
1. Equipment placed with others. Contra: 1762, 1766 and 2113	1. Equipment returned to the Department of Defense. Contra: 1762 and 1766 2. Loss of equipment. Contra: 1769 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-16	

ACCOUNT NO. 1764	
EQUIPMENT ON LOAN	
DESCRIPTION: The value of DoD equipment loaned to others.	
DEBIT	CREDIT
1. Equipment loaned to others. Contra: 1762 and 1766	1. Return of loaned equipment. Contra: 1762 and 1766 2. Record loss of loaned equipment for which a recovery claim exists. Contra: 1320 and 1769 3. Record loss of loaned equipment for which recovery claim does not exist. Contra: 1769 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-17	

ACCOUNT NO. 1766	
EQUIPMENT NOT IN USE	
DESCRIPTION: Represents the acquisition value of DoD equipment not in use. Includes costs of any additions, modifications, improvements and rehabilitation.	
DEBIT	CREDIT
1. Acquisition of equipment. Contra: 2111, 2113, and 7193 2. Transfer of equipment from work in process. Contra: 1581 and 1582 3. Transfer equipment from active use status. Contra: 1762, 1763, and 1764 4. Transfer in from other organizations. Contra: 1769 and 3220 5. Receipt of equipment in transit. Contra: 1770	1. Transfer to a work in process account. Contra: 1581 2. Transfers to other organizations. Contra: 1763, 1769, 3231, and 3232 3. Record loss of equipment. Contra: 1769 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-18	

ACCOUNT NO. 1769	
ACCUMULATED DEPRECIATION ON MILITARY EQUIPMENT	
DESCRIPTION: Accumulated depreciation charged to expense for military equipment.	
DEBIT	CREDIT
1. Loss of equipment. Contra: 1762, 1763 and 1764 2. Transfer of equipment to other organizations. Contra: 1766	1. Depreciation expense for the period. Contra: 6125
NORMAL BALANCE: CREDIT	
FIGURE 6-19	

ACCOUNT NO. 1770	
EQUIPMENT IN TRANSIT	
DESCRIPTION: The acquisition cost of equipment in transit.	
DEBIT	CREDIT
1. Equipment in transit. Contra: 2111 and 2113	1. Receipt of equipment in transit. Contra: 1766
NORMAL BALANCE: DEBIT	
FIGURE 6-20	

ACCOUNT NO. 1840	
OTHER NATURAL RESOURCES	
DESCRIPTION: The cost or appraised value of natural resources on land owned by DoD.	
DEBIT	CREDIT
1. Acquisition of resources. Contra: 2111, 2113, and 3220	1. Transfer of resources to other organizations. Contra: 1849 and 3231 2. Nonrecoverable losses. Contra: 1849 3. Sale of resources. Contra: 1849
NORMAL BALANCE: DEBIT	
FIGURE 6-21	

ACCOUNT NO. 1849	
ALLOWANCE FOR DEPLETION	
DESCRIPTION: Represents the accumulated charged to depletion expense.	
DEBIT	CREDIT
1. Transfer of resources to others. Contra: 1840 2. Sale of resources. Contra: 1840 3. Loss of resources Contra: 1840	1. Depletion expense for the period. Contra: 6127
NORMAL BALANCE: CREDIT	
FIGURE 6-22	